

Hardin County Water District No. 1

Serving Radcliff and Hardin County for Over 50 Years

1400 Rogersville Road
Radcliff, KY. 40160

November 18, 2004

Mr. Jack Kaninberg
Financial Analysis Division - Kentucky Public Service Commission
211 Sower Boulevard
Frankfort, KY 40602-0615
FAX'd To: 502-564-3460 (Original Mailed)

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PUBLIC SERVICE
COMMISSION

SUBJECT: Second Response to Requested Information - Case No. 2004-00422

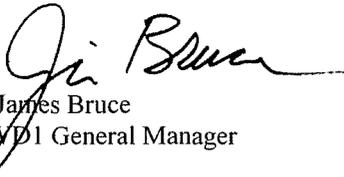
Dear Mr. Kaninberg;

Enclosed you will find a copy of the Memorandum of Understanding which was entered into between the District and Veolia Water North America Operating Services (formerly U.S. Filter Operating Services). This document set forth the terms and responsibilities between the two parties in a partnership leading up to the successful award of the bid from the Government to own and operate the Ft. Knox Sewer Utility.

Both our legal counsels are now completing the Management and Operating Contract which will formally employ Veolia to be our contract operator of the Ft. Knox Sanitary and Storm Water Utilities. We anticipate to have this document executed before the end of the year. The new agreement will essentially require Veolia to carry out all technical and operational requirements of our contract with the Government, and also meet and permit requirements of the Environmental & Public Protection Cabinet, and requirements of the federal Clean Water Act. You are welcome to contact Mr. Rob Nicholas with Veolia if you have specific questions about the anticipated contract terms. His phone number is 1-859-623-0263.

We will certainly file the executed contract with the Commission if this is requested and required in your order. Also, I enclosed excerpts from four of our Board meetings where the partnership with Veolia was discussed and approved. I hope this is helpful. Please do not hesitate to call if you need more information.

Sincerely,



Mr. James Bruce
HCWD1 General Manager

Cf; Mr. David Wilson, Attorney, HCWD1
Ms. Portia Petties, HCWD1 Chairperson
Mr. Rob Nicholas, Veolia Water North America

Encl; Memorandum of Understanding
Excerpts from four HCWD1 Board of Commissioner Meetings

**MEMORANDUM OF UNDERSTANDING
HARDIN COUNTY WATER DISTRICT NO. 1 AND
U.S. FILTER OPERATING SERVICES, INC.
FORT KNOX WASTEWATER SYSTEM PRIVITIZATION**

3/1 THIS MEMORANDUM OF UNDERSTANDING ("MOU") is entered into as of the day of March, 2002 (the "Effective Date"), by and between **U.S. FILTER OPERATING SERVICES, INC.**, a Delaware corporation with a place of business at 14950 Heathrow Forest Parkway, Houston, TX 77032 (hereinafter referred to as "USFOS"), and **HARDIN COUNTY WATER DISTRICT NO. 1**, a Kentucky Political Subdivision with its principal place of business at 1400 Rogersville Road, Radcliff, KY 40160 (hereinafter referred to as "DISTRICT"), the two of which may be referred to hereinafter as "Party" or the "Parties."

WHEREAS, the Defense Energy Support Center has issued Solicitation No. SP0600-01-R-0121 for the privatization of the wastewater system at Fort Knox, Kentucky (collectively the "System" or "Project"); and

WHEREAS, the Parties have agreed that they would like to work together on an exclusive basis to acquire the System whereby the DISTRICT will own the System and USFOS will operate, maintain and repair the System, and

WHEREAS, the Parties understand and agree that USFOS will have to expend significant financial and other resources for proposal preparation that includes permitting and regulatory review, preliminary design, financial analysis, legal analysis, cost estimation, technical and management approach and so forth (collectively the "Proposal"), for which USFOS will recover only if the Parties are the successful Offeror; and

WHEREAS, the Parties agree that, to the extent hereinafter provided, if the U.S. Government (hereinafter the "Government") awards a contract to the DISTRICT as a result of this solicitation, the Parties shall negotiate in good faith a contract providing for the performance by USFOS of the Scope of Work generally defined in the Proposal; and

WHEREAS, the Parties desire to set forth in this MOU certain terms and agreements that will govern their relationship during the time leading up to the signing of definitive documents effectuating the Project outlined above.

NOW THEREFORE, the Parties agree as follows:

1. **Cooperation, Activities, and Objectives.**
 - 1.1 Exclusivity. During the term of this MOU, the Parties agree to work exclusively with one another to carry out the stated purposes of this MOU.
 - 1.2 Overall Objectives. It is mutually agreed that the Parties will exert their best efforts relative to the preparation and submission of a Proposal (which includes technical, management and cost proposals) to the Defense Energy Support Center for the work identified in the Solicitation and the responsibilities of each Party in relation to the

MEMORANDUM OF UNDERSTANDING

Proposal and the performance of the work under the prime Contract, if awarded. It is understood that this Agreement is to establish broad parameters of the relationship. The actual scope of work will be refined over the course of the proposal preparation and subsequent negotiations with the Government. The relationship currently is expected to have the DISTRICT assume ownership of the System and act as prime contractor to the Government. USFOS will contract with the DISTRICT, as a subcontractor, in a long term definitive agreement to provide the operation, maintenance and repair of the System. The definitive agreement would likely be a fixed price contract type, which incorporates mandatory provisions from the Prime Contract and provides for compliance with the Department of the Army and Federal Government wastewater effluent standards.

1.3 Anticipated Roles and Responsibilities. The Parties will endeavor, with reasonable promptness, to accomplish the following tasks:

- (1) Submit a proposal in accordance with the Solicitation requirements. The scope of work in the Solicitation includes the transfer of ownership, operation, maintenance and repair of the System. Repair may encompass analysis, engineering, permitting, bidding, construction, inspection and financing.

Specific Activities Anticipated of the DISTRICT generally consist of the following:

- Transfer and ownership of the System
- Transfer of right-of-way agreements and easements to access the System.
- Establishing and maintaining the tariff rate charged to the Government
- General oversight of the System to the extent the DISTRICT believes is needed as the Owner of the System
- Invoicing the Government on a monthly basis.
- Assumption of all operating permits in the DISTRICT'S name as required by their ownership of the System
- Where required, transition of certain personnel, material, equipment, and files from the Government to the DISTRICT and from the DISTRICT to USFOS.
- Customer support service initially to include answering telephone calls and monitoring wastewater plant and lift station telemetry on the third shift. The DISTRICT would answer questions from sewer customers (initially only the Army) about their bill.
- Reserve the right to adjust the scope of services from time to time.
- Any other activity typical of a Public Service Commission regulated sewer utility.

MEMORANDUM OF UNDERSTANDING

USFOS' anticipated specific activities consist of the following:

- Take the lead and prepare the Proposal for the DISTRICT in response to the Solicitation, and notifying the DISTRICT of its obligations under the Proposal.
- Operate, maintain and repair a 6 million gallon per day (mgd) oxidation ditches wastewater plant with aerobic digesters and belt press dewatering.
- Operate, maintain and repair the collection system estimated by the base to include 922,870 linear feet of sewer line ranging from 2 inch force main to 36 inch gravity sewer in many different types of pipe including pvc, clay, concrete and ductile iron pipe plus 1,745 manholes.
- Operate, maintain and repair 20 pump stations which range from small one building grinder pump to major lift stations some with portable generators and manual cleaning bar screens.
- Include in its cost the repair and replacement of all mechanical equipment at the plant and lift stations along with normal repair of sewer lines, manholes and pump stations.
- Develop in a six-month period a Geographic Information System (GIS) for the sewer collection system, which is compatible with the existing government system and DISTRICT system.
- Establish and carryout an Industrial Pretreatment Program (IPP) to monitor and control non standard discharges into the sewer system
- Carry out the on going environmental compliance program for wastewater plant operating permits, engineering requirements and government reporting programs which includes the transfer of the NPDES permit from the Government to the DISTRICT.
- Identify and carry out (or require another subcontractor of the DISTRICT to carry out) the Initial Capital Upgrades to the System which are expected to consist of (i) installing telemetry on some facilities, (ii) carrying out an evaluation of the sewer collection system including flow monitoring, (iii) smoke testing and TV inspection along with spot repairs, (iv) manhole repairs, and (v) limited replacement or lining of damaged pipe.
- Future Capital Upgrades and Renewals and Replacements, as defined in the Solicitation, are not included in USFOS's price. These tasks will be planned and executed through standard procedures used by the DISTRICT which include engineering analysis, design, bidding, financing, and construction along with necessary Commonwealth Kentucky approvals, such as Tariff Rate adjustments to cover such costs. USFOS will carry out or direct others to carry out these

MEMORANDUM OF UNDERSTANDING

tasks as directed by the DISTRICT.

- Carry out the monitoring and closure of the former wastewater plant site according to federal hazardous waste regulations (RCRA). USFOS is going to ask for an exception of the government so that the DISTRICT and USFOS will not have to include this activity.
 - Where required, transition of certain personnel, material, equipment, and files from the Government to USFOS.
 - Find, coordinate and direct the activities of subcontractors who are required for compliance with the Socio Economic plans required in the proposal by USFOS, other teaming partners and the DISTRICT. It is likely the DISTRICT will have separate contracts with some of these subcontractors depending on final contract negotiations with the DISTRICT. These subcontractors would be required to provide the same guarantees, fixed costs, warranties, bonds and assurance as required by USFOS or USFOS would be required to find another qualified sub contractor to comply with the government and DISTRICT requirements.
 - Provide a performance bond along with other service and price guarantees to the DISTRICT in accordance with the terms of the definitive agreement, the conditions of the contract and applicable law.
- (2) Obtain necessary corporate and board approvals, including those of parent companies and affiliates where necessary for submission of the Proposal;
 - (3) Develop definitive contractual documents necessary to carry out the Project, including but not limited to, a wastewater services agreement (a single definitive agreement between the Parties to cover operations, maintenance and repair of the System), and any agreements incident to Project financing ;
 - (4) Generate and execute the documents necessary to implement the Proposal Period specific services, as described in Section 2, below.
 - (5) USFOS and DISTRICT will work together to procure any necessary financing.

1.4 Proposal Support and Coordination. The Parties will provide such personnel or information as may be reasonably be necessary to respond to the Government's requests including for example, scope of work clarifications, cost support, delivery schedule and discussion of terms and conditions. Both Parties will keep the other apprised of contact with the Government and others regarding the proposal. In this regard, USFOS will take the lead in preparing all documents required for proposal submission. For Volume IV, Price Proposal, USFOS will require the DISTRICT to assist in preparation and review of all forms and providing all documents with the DISTRICT particularly Tariff Rates, Purchase Price, and Recoverable Portion of the Purchase Price, describing its accounting system, finalizing all assumptions and exceptions to the solicitation documents, and performing a cost risk assessment. The DISTRICT and

MEMORANDUM OF UNDERSTANDING

USFOS will jointly work together in developing and finalizing the scope and pricing for initial capital upgrades and renewals and replacements. The DISTRICT shall execute all documents as the prime contractor.

2. **Proposal Period Compensation.** USFOS will receive no compensation during the Proposal Period. Its expenses for Proposal preparation and assisting in contract negotiations with the Government will be at risk. However, should the Parties be the successful Offeror, these expenses will be recovered by USFOS within five years as part of the long-term agreement with the DISTRICT to operate, maintain and repair the System. The price of USFOS services and development recovery will be included in its cost estimate and used as part of the overall pricing structure proposed to the Government.

USFOS as part of the Proposal development, will reimburse the DISTRICT up to \$100,000 to defray the cost of legal and expert fees associated with Proposal preparation and contract negotiations with USFOS and the Government. The initial reimbursement will be due after the submission of the Proposal or termination of this Agreement which ever occurs first. Payment will be made within thirty (30) days.

3. **Specimen Agreement.** Within fifteen (15) days after the effective date of this MOU, USFOS will submit to DISTRICT a draft Terms Sheet for its consideration and input that will summarize the proposal terms of the overall transaction (s) and form the basis of the definitive agreement.

4. **Term and Termination.** The Term of this MOU shall commence on the Effective Date and shall expire the earlier of (1) sixty (60) days following the end of the Proposal validity period with the Government, or (2) termination of the MOU as hereinbefore specified.

This MOU may be terminated by (i) either Party with fifteen (15) days written notice to the other party, (ii) this MOU being superseded by definitive agreements, or (iii) the Parties are not the successful Offeror. The provisions of Sections 6 Shared Information, Sections 10.3 and 10.4 Miscellaneous Issues of this MOU, along with the vested payment provisions of Section 2, shall survive expiration of this MOU. Upon expiration of this MOU, it shall be of no further force and effect except as mentioned in the preceding sentence. The Parties may extend the term of the MOU by mutual written agreement signed by the parties to be charged.

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Should this MOU be terminated for any reason other than the DISTRICT deciding to pursue the Project with a different partner (other than for cause, including but not limited to a breach of the definitive agreement or a failure to perform satisfactorily under the definitive agreement) USFOS will reimburse the DISTRICT for its expenditures relative to submitting a proposal and negotiating a contract up until the time of termination of the MOU. Should DISTRICT terminate this MOU in order to pursue this Project with a different partner (other than for cause), the DISTRICT shall reimburse USFOS (1) for actual documented expenses of labor, travel, supplies and consultants up to \$100,000 as compensation for efforts expended in furtherance of the Project., and (2) any reimbursement by USFOS of DISTRICT expenditures as identified in paragraph 2 above. Should USFOS terminate this MOU in order to pursue this Project with a different partner or on its own without a partner (other than for cause), USFOS shall reimburse the DISTRICT for actual documented expenses incurred in furtherance of the Project as identified in paragraph 2 above.

5. Shared Information and Confidentiality.

5.1 Shared Information. The Parties each respectively understand and agree that the Proposal process will require information to be shared.

5.2 Confidential Information. When confidential information (which shall include without limitation copyrighted works, trade secrets, financial information and other proprietary and confidential information) are disclosed by one Party to the other in writing in connection with this MOU, the Party receiving such information agrees that such matters shall be protected through all reasonable means, in the same manner as the receiving Party would protect its own proprietary information. The receiving Party shall protect the information against use, disclosure, or copying other than for purposes envisioned by this MOU. Notwithstanding any termination of this MOU, each Party shall continue to employ such means of protection for such proprietary material as it may have retained for two (2) years after receipt thereof, and thereafter shall abide by any continuing limitations applicable under pertinent trademark, patent, trade secret, or copyright laws, or under any successor agreement hereto.

The obligations with respect to use, disclosure, and access to the trade secrets and confidential information of each Party set forth in this MOU are not applicable to the following: (i) Information that was or is made available to the public without restriction by the disclosing Party or by a third party; (ii) information that was previously known to the receiving Party independent of any disclosure by the Party; (iii) information learned by the receiving Party without breach of this, or a counterpart, MOU, (iv) information that was or is independently developed by the receiving Party, and (iv) information that by the Kentucky Open Records Act, the DISTRICT would be required to disclose in response to legal requirements or processes.

Upon expiration of this MOU, each Party shall, within 60 days of expiration if requested, return to the other Party all writings that reflect or embody proprietary matter of the other Party in such Party's possession or under its control.

MEMORANDUM OF UNDERSTANDING

6. **Public Announcement.** Each Party agrees for itself and its affiliates not to make any public announcements relating to this MOU or the transactions contemplated hereby without the prior written consent of the other Party.

7. **Arbitration.** If any dispute arising hereunder cannot be resolved by the Parties within 30 days after such dispute arises, then the Parties shall attempt to resolve the dispute by having one senior manager from each of the disputing Parties meet at a location mutually agreed by the Parties to try to resolve the dispute. Finally, if the senior managers fail to resolve the dispute within an additional 30 days, such dispute shall be settled exclusively and finally by arbitration.

Each arbitration shall be conducted in accordance with the Construction Industry Rules of the American Arbitration Association (the "AAA Rules") as in effect on the date hereof, except as such AAA Rules conflict with the provisions of this Section 7, in which case, the provisions of this Section 7 shall prevail. Each party to this MOU shall appoint an arbitrator who is a member of the AAA and those two arbitrators shall appoint a third arbitrator in accordance with the AAA Rules. The arbitration shall take place in Louisville, KY. Unless otherwise agreed in writing, the Parties shall continue to perform their respective obligations under this MOU during any proceeding by the Parties in accordance with this Section 7. The decision of the panel of arbitrators shall be final and non-appealable.

8. **Applicable Law.** This MOU shall be governed by, construed, interpreted and applied in accordance with the laws of the Commonwealth of Kentucky (excluding any conflict of law rules, which would refer the matter to the laws of another jurisdiction).

9. **Miscellaneous.**

9.1 The Parties shall not transfer or assign all or any part of their rights or obligations hereunder without the express, written consent of the other Party, which consent shall not be unreasonably withheld. No assignment shall relieve, release or discharge the assigning Party of its obligations, except as provided therein.

9.2 The Parties acknowledge that this MOU does not create a legal entity, partnership, joint venture or any association taxable as a corporation. The Parties shall not have the authority to legally bind one another, unless otherwise agreed.

9.3 The Parties shall comply with all applicable laws in the performance of their activities under this MOU. In addition, all rights and obligations of the Parties under this MOU shall be subject to all applicable laws, rules, regulations, applicable orders and decrees of any court having jurisdiction over the Party in question. Neither of the Parties nor their employees, agents or other representatives shall take any action, tortious or otherwise, that would subject the other Party (or its employees, agents or other representatives) to liability or penalty under any laws, rules, regulations, orders or decrees of any government entity including the Department of Defense. Either Party breaching this paragraph 9.3 shall indemnify the other Party and its respective employees, agents and other representatives from and against all claims, losses, damages, liabilities, expenses (including reasonable attorneys' fees and disbursements), penalties, fines or costs of whatever nature arising out of or in connection with such noncompliance. Each Party

MEMORANDUM OF UNDERSTANDING

will give the other Party prompt notice of any allegation or suggestion (whatever the source) of which it becomes aware of a violation of the terms of this MOU or of any laws, rules, regulations, ethical requirements, orders or decrees of any governmental agency or Client, which relate to the transactions contemplated by this MOU.

9.4 UNDER NO CIRCUMSTANCE SHALL EITHER PARTY BE LIABLE HEREUNDER TO THE OTHER FOR ANY INCIDENTAL, CONSEQUENTIAL, PUNITIVE, SPECIAL OR OTHER SIMILAR DAMAGES RESULTING FROM A BREACH HEREOF, WHETHER UNDER CONTRACT, TORT OR OTHER THEORY OF LAW OR EQUITY.

9.5 Any formal notices or significant communications required by the terms of this MOU shall be in writing, and shall be both faxed and sent by overnight carrier to addressee shown below. Such communications shall be deemed received on that date following the date given to the carrier:

If to **USFOS**:

USFILTER OPERATING SERVICES, INC.

ATTN: Rob Nicholas

412 Michael Court

Richmond, KY 40475

Phone: 859-623-0263

Cell Phone: 859-582-0104

FAX: 859-624-3766

e-mail: nicholrt@usfilter.com

If to **DISTRICT**:

HARDIN COUNTY WATER DISTRICT NO. 1

ATTN: Jim Bruce

1400 Rogersville Road

Radcliff, KY 40160

Phone: 270-352-4280

Cell Phone: 270-352-8750

FAX: 270-352-3055

e-mail: Jbruce@HCWD.com

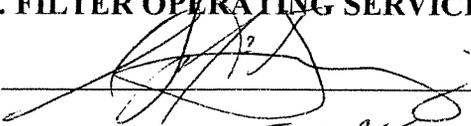
9.6 The terms and provisions contained in this MOU constitute the entire agreement between the Parties with respect to the subject matter hereof. This MOU supersedes and terminates all previous undertakings, representations and agreements, both oral and written.

9.7 No amendment, modification or waiver of the terms of this MOU shall be binding on either Party unless it is reduced to writing and signed by the Parties being charged.

MEMORANDUM OF UNDERSTANDING

IN WITNESS WHEREOF, the Parties have executed this MOU as of the Effective Date.

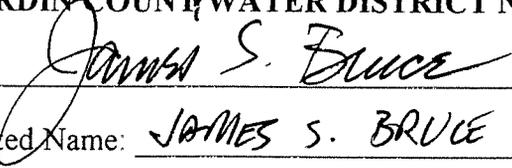
U.S. FILTER OPERATING SERVICES, INC.

By: 

Printed Name: S. J. McKearie

Title: VP - Bus. Dev. - Southern Region

HARDIN COUNTY WATER DISTRICT NO. 1

By: 

Printed Name: JAMES S. BRUCE

Title: GENERAL MANAGER, HCWD #1

wages, health insurance and several other adjustments that were presented to the Board in the packet. Commissioner Straney made a motion for the staff to make these adjustments and modify the proposed rate design and amounts previously submitted to the PSC last October. The motion was seconded by Treasurer Petties and passed. (Unan.)

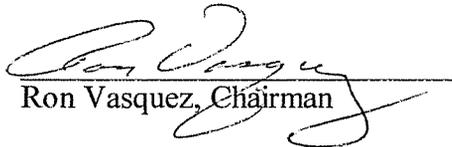
Mr. Bruce and Mr. Wilson then reviewed a proposal from U. S. Filter Operating Services (USFOS) about jointly submitting a bid to take over and operate the Ft. Knox Wastewater Utility in response to a Request for Proposals which Ft. Knox and the Department of the Army had advertised with a March 10, 2002 deadline. There were several questions about the process, how the work would be shared and what role the District would play. The staff and legal counsel were directed to continue to meet with USFOS representatives to explore possibilities and to update the Board as needed. Mr. Wilson said that USFOS would be invited to attend a future Board meeting to answer the Board's questions directly and to take any formal action needed.

Mr. Bruce then reminded the Board that election of officers was typically done at the January meeting each year. Commissioner Straney made a motion to nominate the same slate of officers and to accept a unanimous vote to re-elect the same slate. Chairman Vasquez then closed nominations. The motion was seconded by Commissioner Cates and passed. (Unan.)

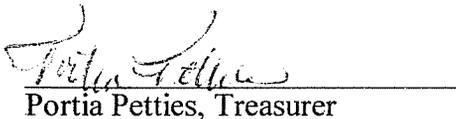
Mr. Bruce then said he had a personnel matter to discuss. Treasurer Petties made a motion at 10:05 PM to enter into executive session. The motion was seconded by Commissioner Straney and passed. (Unan.)

At 10:10 PM Chairman Vasquez reconvened open session. Being no further business before the Board, Commissioner Cates made a motion to adjourn the meeting. The motion was seconded by Treasurer Petties and passed. (Unan.)

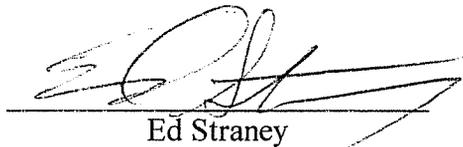
(Minutes submitted by Jim Bruce)


Ron Vasquez, Chairman

William Gossett, Secretary


Portia Petties, Treasurer


David Cates


Ed Straney

Hardin County Water District No. 1
Minutes of Regular Meeting
of the Board of Commissioners

February 26, 2002

Chairman Ron Vasquez called the meeting to order at 6:05 p.m. with Commissioners Ron Vasquez, David Cates, Portia Petties, Ed Straney and William Gossett attending. Staff present included Mr. Jim Bruce and Mr. David T. Wilson. Guests attending were Mr. Rob Nicholas and Mr. Greg May both with U. S. Filter Operating Services.

Commissioner Cates made a motion to accept the minutes from the February 15, 2002 meeting. Motion was seconded by Treasurer Petties and passed.

Mr. Bruce updated the Board on a recent informal meeting on February 23, 2002 with Colonel Muscarella from Ft. Knox and several elected officials to discuss the future ownership or partnership to operate the Ft. Knox Water Utility and the recommendations from the Regional Water Feasibility Study. The meeting was organized by Mayor Enyart of the City of Radcliff.

Mr. Bruce then reviewed the bids received in January to reinvest Certificates of Deposits for the District's Service Center Reimbursement Fund and Depreciation Fund. Also reviewed was the District's Investment Policy approved by the Board in February, 1995. Mr. Cates made a motion that the policy be modified to require that all future purchases of investments be based on sealed bids or solicitations and that the results of the offers be brought to the Board for selecting the best instrument for the District. The motion was seconded by Mr. Straney and passed. (Unan.) Mr. Cates also asked that detailed expense disbursement records including payroll checks and other utility disbursements be reported to the Board monthly. Mr. Bruce said that he would consult with the District's attorney and bring the modified policy document to the Board at an upcoming meeting for adoption.

Mr. Bruce then reviewed three proposals received to provide Landscaping, Mowing and Yard Repair services to the District. Mr. Straney made a motion to accept the proposal from Grassy Knolls Landscaping. The motion was seconded by Treasurer Petties and passed. (Four yes with Chairman Vasquez abstaining).

Mr. Bruce then introduced Mr. Nicholas and Mr. May with U. S. Filter Operating Services (USFOS). Mr. Nicholas reviewed a draft Memorandum of Understanding (M.O.U.) which would set forth the terms of a relationship between the District and USFOS in order to submit a possible bid to the Department of Defense for the District to own and operate the Wastewater Utility at Ft. Knox. Mr. Wilson reviewed the document and advised the Board that it would be their fiduciary responsibility and requirement to exercise due diligence to review the M.O.U. in its entirety and to ask questions of USFOS or make suggestions.

Additionally, it was discussed that Black & Veatch Consulting Engineers would not have adequate time to review the bid submittal since it would not be available for review until March 6th or 7th at the earliest. Therefore, it would not be possible to get an independent outside opinion regarding the advisability of the transaction from a economic point of view. The Board agreed to go forward with the transaction without employing Black & Veatch. Mr. Wilson also reviewed suggestions made by the District's outside legal counsel who had been retained to assist in reviewing the document. The Board had several questions of Mr. Nicholas about the proposed relationship, timing of the bid submittal and contract arrangement should the District be successful in winning the bid. Staff was advised to continue to work with USFOS and modify the M.O.U. and to bring back to the Board prior to the March 22, 2002 bid submittal deadline for final consideration.

Hardin County Water District No. 1
Minutes of a Special Meeting
of the Board of Commissioners

March 7, 2002

Chairman Ron Vasquez called the meeting to order at 5:07 p.m. with Commissioners Ron Vasquez, David Cates, Portia Petties, Ed Straney and William Gossett attending. Staff present included Mr. Jim Bruce and Mr. David T. Wilson.

Commissioner Cates made a motion to accept the minutes from the February 26, 2002 meeting. Motion was seconded by Commissioner Straney and passed. (Unan.)

Mr. Wilson and Mr. Bruce reviewed highlights of the Public Service Commission order dated March 1 for Case No. 2001-211. Mr. Wilson explained the options the Board had to appeal the order. Mr. Bruce noted that the rates ordered by the PSC were higher than the District had requested, especially for the larger diameter Customer Meter Charges. Mr. Bruce reviewed the deadlines approaching for accepting the bids for the 920 and 86 County Expansion Projects and the need to give the contractors a Notice of Award so the bids and contracts could be accepted and executed before they expired on March 29, 2002. Mr. Bruce also noted that the PSC had ordered a Focused Management Audit of certain aspects of the District's accounting procedures but did not know when that would occur or who would carry it out. The PSC also ordered the District to return in three years to request another rate increase, or justify that one was not needed. Treasurer Petties made a motion to notify the contractors that the Board would accept their bids and provide them a formal Notice of Award, and proceed with the bond sale, rate adjustments and construction of the projects. The motion was seconded by Secretary Gossett and passed. (Unan.)

Mr. Wilson then reviewed the latest draft Memorandum of Understanding, (MOU) that had been worked out with U. S. Filter Operating Services (USFOS). The MOU would be needed should the District and USFOS decide to proceed with a bid submittal in response to a Request for Proposal to take over ownership of the Ft. Knox Wastewater Utility being issued by the Defense Energy Support Center - (DESC, Ft. Belvoir, Virginia) Utilities Privatization, which proposals would be due on March 10. Mr. Wilson discussed comments and points that he had received from outside legal counsel who had assisted in the development of the MOU. Mr. Wilson reviewed each point of the MOU and the Board had numerous questions and comments about the document. Mr. Wilson noted that the DESC had postponed the proposal submittal date to May 10. The Board directed staff to continue to negotiate with USFOS on the MOU and to bring it back to the Board at a future meeting when it could be considered as a final document.

Hardin County Water District No. 1
Minutes of Special Meeting
of the Board of Commissioners

May 21, 2002

Chairman Ron Vasquez called the meeting to order at 6:15 p.m. with Commissioners Ron Vasquez, Portia Petties, William Gossett, David Cates and Ed Straney attending. Staff present included Mr. Jim Bruce and attorney Mr. David T. Wilson. Mr. Rob Nicholas and Mr. Greg May from U. S. Filter Operating Services and their local attorney, Mr. Damon Talley, were also in attendance.

Commissioner Cates made a motion to accept the minutes from the April 22, 2002 meeting. Motion was seconded by Treasurer Petties and passed (Unan.).

Mr. Wilson said that the Board had a contractual matter to discuss. At 6:28, Treasurer Petties made a motion to enter into executive session. The motion was seconded by Commissioner Straney and passed (Unan.) At 8:21 Chairman Vasquez reconvened open session.

Executive Session Action Item #1:

Commissioner Straney made a motion to authorize General Manager Jim Bruce to sign the proposal documents on behalf of the District and Board of Commissioners as required for the District to submit a bid to the Department of Defense for the District to own and operate the Wastewater Utilities (Sanitary and Storm) at Ft. Knox. The motion was seconded by Commissioner Cates and passed (Unan.). The Board thanked Mr. Nicholas and Mr. May for all their work on the proposal over the last several months.

Chairman Vasquez then reviewed a request by staff to purchase a used pick-up, or use a short term lease, to provide a vehicle for the District's Construction Inspector during the next 8 - 12 months during the County Expansion projects. There was discussion about the other older vehicles in the fleet and other options available. Mr. Bruce was directed to bring state bid or other prices for new vehicles to the next board meeting.

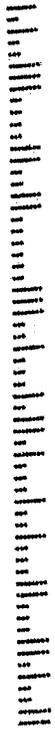
Mr. Bruce then said he had land acquisition matters to discuss. At 8:49 Commissioner Straney made a motion to enter into executive session. The motion was seconded by Secretary Gossett and passed (Unan.) At 9:00 Chairman Vasquez reconvened open session.

Executive Session Action Item #2:

Commissioner Cates then made a motion to begin condemnation proceedings after Tuesday, May 28th, on the remaining parcels of land where a narrow strip of land along the road right of way was needed for a utility easement for the County Expansion projects, and the property owners had either rejected the District's offer or the owners did not respond to the District's attempt to contact them.. The motion was seconded by Commissioner Straney and passed (Unan.)

County Water District #1
Horsville Road
489
KY 40159-0489

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NOV 9 2004

PUBLIC SERVICE
COMMISSION

